

Federal Advisory Committee on International Postal and Delivery Services

(3:00 – 6:00 p.m., 8 October 2008, The American Institute of Architects, 1735 New York Ave., NW, Washington, D.C.)

Minutes of the meeting

Committee members in attendance

- Maynard Benjamin, Global Envelope Alliance
- Jody Berenblatt, Bank of America
- Jim Campbell, Postal Consultant
- Gene Del Polito, Association for Postal Commerce
- Ann Fisher, Postal Regulatory Commission
- Bruce Harsh, Department of Commerce
- Gregory Olsavsky, Department of Homeland Security (Customs and Border Protection)
- Lea Emerson, U.S. Postal Service
- Sue Presti, Express Delivery and Logistics Association
- Robert Reisner, Transformation Strategy
- Paul Smith, UPS
- Don Soifer, Lexington Institute
- Daniel Watson, Office of the United States Trade Representative

U.S. Department of State officials in attendance

- Michael Glover, Chairman of the Advisory Committee
- Gerald Anderson, Deputy Assistant Secretary of State, Bureau of International Organization Affairs
- Dennis Delehanty, Designated Federal Official for the Advisory Committee
- Katherine Lawrence, Program Manager for Postal Affairs, International Organization Affairs, Technical and Specialized Agencies

This meeting was open to the public. Members of the public who spoke at this meeting are identified as such in the text below.

I. Welcoming remarks and introductions

1. Mike Glover opened the meeting, and after introductions of the committee members and members of the public, introduced the agenda.
2. Mr. Glover then went on to recap the last meeting and described the U.S. delegation's preparations for the UPU Congress held in Geneva this past summer.
3. He made a general request to all attendees to voice their opinions and concerns with regard to the Department of State's role in overseeing international mail and delivery services, and, specifically to the FACA members, asked that they share their views on the work the committee should undertake for the long term, mid-term, and near term. Some members had already submitted suggestions and these were discussed at this time. [Note: These suggestions are summarized later in the report under "Long-term work of the Committee."]

II. 2008 Geneva Universal Postal Union (UPU) Congress Outcomes

4. Gerald Anderson recapped his experience at Congress, and commented specifically on the skill base of the U.S. delegation, citing how many of the other delegations looked to the experts on the U.S. delegation for information and guidance. He also recapped the U.S. efforts to successfully block adoption of proposed changes to the UPU mission statement. He noted what he observed to be an emerging divide between francophone and anglophone member states, and added that he would continue to look for indications of the impact this divide may have on the UPU while attending the Council meetings in Bern, Switzerland (October 29 through 14 November).

5. Mr. Anderson went on to note that the UPU has operated within a very tight budget despite inflationary costs and no budget increases for the past 10 years. A small increase in the budget ceiling was approved at the UPU Congress, which would affect the last two years of the upcoming four-year cycle. He concluded his opening remarks by stating that the U.S. delegation was largely successful with the proposals it put forward during the UPU Congress.

6. Dennis Delehanty highlighted the major decisions taken at the UPU Congress, especially those that directly relate to priorities of the U.S. Strategic Plan for the UPU related to performance measurement and stronger efforts to tie delivery payments to service performance. He noted that the UPU Council of Administration (CA) and Postal Operations Council (POC) will decide in what manner performance results will be published for public access. The UPU will review all programs to see which programs produce value. The U.S. proposal concerning customs advance notification that was adopted by the UPU Congress will encourage member countries and operators to use electronic data interchange.

7. Dennis Delehanty summarized a number of other highlights: new organizational charts for the two UPU Councils; decisions on extra-territorial offices of exchange (ETOE)s to further study the issuance of International Mail Processing Center (IMPC) codes and to more clearly identify ETOE operators; and a redrafted Postal Payment Services Agreement. The U.S. was highly successful with regard to terminal dues decisions. This objective was achieved in Geneva due to the coordinated efforts by the U.S. and like-minded target countries to gain widespread support for the proposal developed by the Terminal Dues Project Group, rather than an alternative proposal which would have increased target rates significantly over the course of the cycle. With regard to the classification of countries, the UPU moved from a system based on four groups to a new system developed during the Bucharest Congress cycle by a team led by Barbados which included the United States. This new system creates five groups of countries based on macroeconomic and postal indicators which will be used to transition developing countries into the target system as well as for determining quality of service payments and receipts.

8. Dennis Delehanty went on to describe the new structures of the two governing councils within the UPU, the POC and CA. In a hotly contested election, Greece won over the candidate from Great Britain, by a vote of 22 to 18, to chair the POC which will be composed of four committees. The CA will also have four committees in an effort to equalize the workload between the two councils. Two of its committees (Development and Cooperation and Strategic Planning) will be joint POC and CA bodies. The Reform of the Union Group under Committee 1 (Governance), will be made up of 10 CA members and 10 POC members to assure a balance in input. Charles Prescott of the U.S. was re-elected to chair the Consultative Committee with Great Britain as Vice Chair. The three cooperatives (EMS, Telematics, and UPU*Clearing) will remain autonomous extra-budgetary groups. Different countries applied for the leadership positions in various committees and project groups, although there was only time to decide on the Chairs and Vice Chairs of the committees. The U.S. will be Vice Chair of Committee 3 (Finance and Administration) under the CA and in the

POC, the U.S. will continue to chair the Postal Security Group. Great Britain and Switzerland will co-chair POC Committee 1 on Letter Post.

9. Mr. Delehanty remarked that many challenges lay ahead for the upcoming cycle of the UPU. The first task will be to prioritize objectives. UPU members had already been invited to list their priorities in the cycle leading up to the Geneva Congress.

10. Congress Resolution C 63 confirmed that ETOEs are not covered under the UPU Acts. Governments must apply for International Mail Processing Center (IMPC) codes for ETOEs established on their territory. A suspension of the issuance of IMPC codes to private operators was maintained pending a study to be conducted by the CA. The POC will also study the operational aspects of the issue.

11. Mr. Delehanty also mentioned the following:

- A completely revised draft of the Postal Payment Services Agreement was adopted at Congress although the U.S. had not signed it.
- Congressional Resolution C 66 concerns a CA study on voluntarily funded groups. The U.S. put forward a set of proposals to anchor extra-budgetary user groups but withdrew the proposals when it accepted a compromise to have the matter studied more thoroughly
- Overall, the U.S. submitted 26 proposals. Sixteen passed, six were referred to study and four were rejected.

12. Jim Campbell asked why the U.S. did not sign the new Postal Payment Services agreement. Dennis Delehanty responded that the U.S. can sign at a later point after all the Regulations are agreed upon at the November 2008 POC session. That way, the U.S. will have a better appreciation of the technical details contained within the agreement.

13. Mr. Delehanty suggested that the U.S. propose crafting a formal policy to address how the UPU International Bureau publicly communicates outcomes of UPU meetings and the results of specific votes taken at Congress, and cautioned that a formal communications policy should be carefully vetted. Gerry Anderson agreed that establishing a policy on communications would be beneficial based on the communications policies he has observed practiced within other UN agencies. The terms of a formal communications policy should be studied. Generally, the executive head of a UN agency is expected to advise and support the member state bodies. Some executive heads attempt to put forward ideas of their own which can lead to conflict between secretariats and member states. The U.S. may consider exploring a policy that more clearly focuses the role of secretariats on supporting member states.

14. Mr. Delehanty spoke further on the subject of voluntarily funded groups. He noted that existing groups such as the Direct Mail Advisory Board will remain in place while the study is carried out. The study will focus on such issues as the funding of the groups and the overhead payments, so that groups pay their own way. The UPU is working on the transparency of information. Members do not know which contribution category each member belongs to within the existing voluntarily funded groups. Another issue under study concerns the performance of staff dedicated to supporting voluntarily funded groups, and given the nature of the funding, the most logical point of authority to ensure that anticipated performance standards are met. The U.S. is examining the applicable regulations concerning voluntarily funded groups in light of those in place at other UN agencies.

15. Daniel Watson of the Office of the U.S. Trade Representative commended the U.S. delegation on the successful outcome of the vote regarding proposed changes to the UPU's mission statement. He stated that proponents of the changes worked hard to ensure the

outcome the other way and noted that the majority of the members understood why the U.S. opposed the changes. Mike Glover pointed out that the U.S., as a concession, introduced a proposal that called for studying possible future changes to the mission statement, which was adopted. Sue Presti asked who will conduct the study of the mission statement. Dennis Delehanty replied that the CA will conduct the study.

16. Paul Smith of UPS asked what the acronym "PDI" represented and why certain countries, such as Switzerland, have a higher PDI. Dennis Delehanty responded that "PDI" stands for "Postal Development Indicator", which was used to classify countries for purposes of terminal dues rates and payments to and from the Quality of Service Fund. He indicated that various factors such as mail volume play a role. Lea Emerson of USPS offered that Switzerland has a high domestic rate which is one of the factors in the PDI, as well as difficulty to serve the territory. It was later clarified that Switzerland has a higher GNI per capita than the United States.

17. Bruce Harsh of the Commerce Department commented on Congress Resolution C 74 on the future development of financial services and added that the U.S. was successful in limiting new services. Some developing countries reacted negatively to attempts by the U.S. and other countries to limit what new services could be offered, citing that new financial services serve as a tool to help developing countries promote social and business development. The Commerce Department encourages money payment services in the postal network, but does not want activities introduced through the UPU that are not regulated or could be provided by private sector companies. The U.S. Treasury department was concerned some financial services would not be adequately regulated. The Department of Commerce wants to ensure that insurance services and new financial services in the banking area are not offered by the postal network. Commerce will make another attempt to highlight the regulatory problems connected with this issue and its general stance against government subsidized services being offered where there is private sector competition.

18. Daniel Watson remarked that USTR also took a strong interest in this issue and noted that small developing countries generally want to use postal networks, as a government presence, to provide very basic financial services, not sophisticated financial services. World Bank studies support only those products that are offered alongside private sector products, or products that do not compete with private sector products. From the USTR perspective, postal payment financial services should not be a podium for encouraging products that compete with private sector products. The U.S. should discourage developing countries from going in this direction and should instead encourage working with countries that have legitimate interests in basic financial services and are willing to work within certain parameters with regard to the financial products they offer.

19. Marike Brady, a representative from the American Council of Life Insurers stated that her organization has been engaged with countries around the world to develop principles for micro insurance products for the poor. It is working with organizations to distribute basic policies to difficult-to-reach recipients, such as those in Africa and Latin America.

20. Jody Berenblatt stated that a recent op-ed piece in the New York Times suggested that USPS could offer savings accounts, as it did historically after the banking crash of the 30s.

21. Lea Emerson from USPS responded that it was unlikely the USPS would do so given its current financial circumstances.

22. Bruce Harsh further commented that Commerce was soliciting comments and suggestions from the public as part of an effort to ensure consumers, potentially attracted to new postal financial services, are protected.

23. Moving the agenda forward, Dennis Delehanty stated that he had received a request from a FACA member to produce a scorecard of U.S. proposals put forward at the UPU Congress. The scorecard was distributed to the participants at the FACA meeting.

24. Mr. Delehanty went on to describe some of the issues that will be taken up in Bern at the upcoming POC and CA sessions on October 29-November 14, noting that over 200 proposals concerning the Letter Post and Parcel Post Regulations, and the Postal Payment Services Regulations, will be addressed by the POC. Lea Emerson of the USPS stated that the U.S. submitted 11 proposals and 18 amendments for consideration by the POC, all technical in nature. The UPU Congress considered over 300 proposals. The upcoming POC and CA will also designate the chairs of the individual project groups. The U.S. is interested in chairing certain groups

25. Sue Presti asked if the chair of the Consultative Committee is able to vote.

26. Mr. Delehanty responded that he was hopeful that the chair of the Consultative Committee would be able to attend the POC Management Committee meeting in Bern on October 29.

III. Building on Geneva Congress Resolution C 19

27. Jean-Philippe Ducasse of Pitney Bowes remarked that his company wants the Consultative Committee to launch a revenue protection initiative and, in a more general way, to make the Consultative Committee more productive by establishing partnerships with various postal operators through the context of the UPU. Congress Resolution 19 calls upon the private sector to offer more cooperation with member posts. He went on to note that developing countries are experiencing revenue leakage and do not know just how much they lose. The UPU normally does not work on revenue protection issues.

28. Mr. Ducasse noted that in the Caribbean, nine countries developed specifications for the newer and more secure digital meters. Postal operators and the private sector can work together to develop best practices for developing countries to protect themselves from revenue loss.

29. Pitney Bowes, through the Consultative Committee, is envisioning ten to twelve participants who would define the scope of the group's work, see what suppliers (meter manufacturers) have to offer, and agree on common specifications that suppliers (meter manufacturers) will give to developing countries. It is hoped the working group will engage postal operators and the private sector. Other issues the group will consider are how to reach out to private companies that are not Consultative Committee members, the reporting structure within the UPU, and how to liaise with other groups, especially with the Postal Security Group, the CA Development/Cooperation Committee, the POC Standards and Technology Committee, and other associations.

30. Maynard Benjamin stated that this is exactly what the Consultative Committee is supposed to be doing, including dealing with intellectual property rights.

31. Mr. Ducasse remarked that he wasn't aware of any existing solutions already available "on the shelf." New products that address the problems may have to be developed. If the UPU develops common specifications, the working group will need to work with legal advisers.

IV. Long-term work of the Advisory Committee

32. Mike Glover reminded the FACA members that he had asked them to consider what mid-term work the committee could produce. The responses the State Department received were circulated at the meeting and included:

- Examining in more detail the Postal Accountability and Enhancement Act and compatibility with UPU decisions.
- Examining the activities of the Consultative Committee. Many members of the FACA are also on the Consultative Committee.
- Implementation of the U.S. Strategic Plan for the UPU.

33. Sue Presti stated that two primary issues the FACA should study are the ways in which the implementation of PAEA affects international delivery services and how best to monitor and give advice on the work of the UPU. She went on to note that through the CA, POC and Consultative Committee, the FACA should insure the continued integration of the Consultative Committee into the UPU and follow issues as they progress through the UPU.

34. Greg Olsavsky from Customs noted his interest in continuing to promote electronic data interchange between postal and customs administrations as well as risk assessment, screenings and other physical security standards to ensure compliance for mail arriving to the United States.

35. Robert Reisner urged the State Department to expand the possibilities for engaging the public and clarifying what the U.S. is trying to accomplish.

36. Gene Del Polito suggested starting a blog so that comments can be shared.

37. When asked about appointments to the FACA committee, Dennis Delehanty stated that the charters have to be renewed every two years. There is a distinction between members and non members. Members must be appointed. The State Department will check with FACA advisors on what happens to members who cannot fulfill their duties and attend meetings.

38. Jim Campbell stated that a blog is good but not sufficient and recommended that there be more presentations to the group. Paul Smith expressed his preference for face-to-face meetings, followed by conference calls. Blogs are okay, he noted, but the Internet is already too intrusive. The FACA should stress consistency with the new postal law. Special projects are okay, he noted, but it may consume time and resources that will take away from the interactive nature of the meetings.

39. Don Soifer stated that he favored Gene Del Polito's ideas as well as, to one degree or another, all the responses that were submitted to the State Department. He stated he would like to see working groups formed, like one on financial services. He appreciated the analysis of the proposals that went before Congress and expressed his wish that in the future there would be more detailed studies of the proposals that were adopted.

40. Daniel Watson of USTR noted that his agency had two concerns, namely, to monitor the UPU for indications that it may be venturing too far from its core mission and to closely watch developments related to WTO issues and the proposed postal financial services to assure neutrality in promoting competition. Sue Presti mentioned an overarching, comprehensive approach to these issues with respect to the UPU. To the extent possible, the State Department should ensure that the UPU International Bureau projects a neutral tone with respect to decisions taken. With regard to financial services issues and the prospect of independent regulation, the State Department's general approach should be to promote a

competitive level playing field and neutrality with regard to trade issues. Working groups are fine if there is enough work in a specific area.

41. Mike Glover remarked that the FACA members should bear in mind that their work is ultimately accessible to the public and should be mindful when treating any proprietary business information or sensitive information with regard to State Department decisions. Dennis Delehanty noted that FACA guidelines stress the importance of keeping the committee's activities open to the public and suggested that the Committee try to remain as transparent as possible. He went on to note that the State Department is pursuing initiatives that promote transparency and accountability across the entire UN system. Member states have access to a considerable amount of UPU-related information, but much of it is restricted to the public.

42. Maynard Benjamin stated he would like to see more electronic circulation of documents and reactions from other FACA members. He also suggested that briefings from outside experts were informative and that he supported the suggestion of a report card to track actions taken. He also promoted openness and was opposed to password-protected sites.

43. Gene Del Polito cautioned that there were unintended negative consequences to labeling international postal products competitive or market-dominant. He asked if anyone fully understood the State Department's role with regard to harmonization between the USPS and non-designated operators. He offered that the FACA members should provide the State Department with the best available advice as it executes its role under the PAEA.

44. Lea Emerson of the USPS remarked that she agreed with much of what other FACA members have said, especially Gene Del Polito's recommendation that the committee help flesh out the State Department's role pursuant to the new postal law. She added that the committee should provide advice on how to improve service in all products and services offered through the UPU. With respect to financial services, the USPS has set out an initiative to pursue wire transfers, to fill in the gaps for developing countries that have migrant workers in the U.S. The PRC is still deciding whether this is a postal or non-postal product.

45. Bruce Harsh stated that it is important to continue having the FACA members meet and engage the U.S. Government agencies on these topics and to continue the informational briefings so that these agencies can hear different perspectives. He went on to note that the government must balance security concerns and the movement of the mail. He also cautioned that, from his perspective at Commerce, it was important to ensure that international entities like the UPU focus on their core mission. He added that he would appreciate a briefing by the Postal Regulatory Commission following its determination on postal financial services and that he would like to see more briefings by different experts.

46. Dennis Delehanty noted that the topic of the Postal Accountability and Enhancement Act surfaced in the remarks of most all the FACA members. The State Department also exercises an oversight role over the delivery services provided by the private sector. Dennis Delehanty reiterated Gene Del Polito's characterization of the State Department's role as "seeking consonance" between the UPU Acts and the Postal Accountability and Enhancement Act. He then summarized the remaining suggestions submitted by other FACA members with regard to what work the FACA should undertake: reviewing the work of the UPU Councils, postal security, environmental issues, quality of service measurement and the definition of universal service. Mr. Delehanty requested that these topics be placed on the committee's list of long-term objectives and added that the State Department could continue to brief FACA members on the outcomes of UPU meetings and decisions, but that these briefings should not be the sole purpose of the FACA. The FACA should not become UPU-centric. It has a wider mandate. Inviting outside experts would be beneficial. However, if a member asks for

an issue to be raised, then that member must arrange for a presentation to be made on the issue.

47. When asked about making U.S. position papers available prior to UPU related meetings, Dennis Delehanty noted that this could potentially undermine the U.S. negotiating strategy and drew a distinction between negotiating documents and committee work product.

48. Jim Campbell asked if it was possible to make available certain details that would not compromise the U.S. position, and suggested that FACA members could contribute substantively to the U.S. position if more information was made available to them in advance of positions being put forward to the UPU.

49. Robert Reisner attempted to clarify the role of the FACA by stating its job is merely to advise. When topics of interest arise, there are a number of people who can comment on them. This is useful to the State Department, but the FACA members should let the State Department decide how much information it wants to impart to the members and when.

50. Dennis Delehanty stated that the discussions on financial services were especially relevant to the State Department's oversight role, noting that the State Department shaped the U.S. position on financial services based on information gleaned from FACA members. The State Department understands the important function of this committee.

51. Larry Chaido remarked that some USPS international products could be considered both competitive and market dominant and requested that the appropriate representative from USPS address the FACA members on this subject as well as the Universal Service Obligation study. He finished his remarks by noting there were a number of issues that the public sector would want to be informed about.

V. Closing of the meeting

52. Mike Glover concluded the meeting by noting that the State Department specifically wished to make the outputs of the FACA more valuable and thanked the members for their active participation. The next meeting is scheduled for February 12, 2009.

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